

Mayor's Budget Message



THE CITY OF SAN DIEGO

To my fellow San Diegans,

It is my pleasure to present the **City's Proposed Budget for Fiscal Year 2009**. This budget document provides detailed information about the revenues and expenditures forecast for the City in the coming year. It also addresses the significant fiscal initiatives called out in the comprehensive Five-Year Financial Outlook I released in January and reflects the ongoing process of reform I have implemented at the City.

The Fiscal Year 2009 budget accomplishes two primary goals: 1) the City will continue to provide essential core services in the coming fiscal year; and 2) priority financial obligations, many of which were ignored or under-funded by previous administrations, are being addressed. Because of the regional economic downturn, the City's revenue growth will be lower than previous year's. This important factor, combined with increasing municipal financial obligations, has created an environment in which unfortunate trade-offs had to be made.

The City of San Diego will continue to provide its residents with dependable municipal services. Some departments, such as our Police and Fire-Rescue Departments, will be receiving budgetary increases. In other cases, additional funds have been dedicated to new facilities or operations, such as the five new park facilities that the City will open and operate during Fiscal Year 2009. Overall library and recreation center hours will remain the same. But in some cases, there may be service impacts as a result of diminished staff.

For example, there may be longer wait times to check out materials in our libraries. Swimmers and exercise class attendees may need to adjust their schedules given changes to hours of operation at City pools and recreation centers. While we have done everything possible to minimize them, there are some service impacts that our residents will experience during the coming fiscal year.

The total budget for Fiscal Year 2009 is \$3.29 billion. This includes \$1.19 billion for General Fund operations and \$1.35 billion for operation of the City's Enterprise Fund activities. Another \$574 million is budgeted for capital improvement projects across the City. A complete copy of the budget is available on the City's website at www.sandiego.gov.

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Restoring the City's fiscal stability has been my top priority since becoming Mayor. The Fiscal Year 2009 Proposed Budget continues the City's progress toward that goal. In the coming year, I will once again dedicate additional funding to eight significant areas of concern that had been neglected or under-funded in the past. This budget:

- Properly funds the City's Pension Plan.
- Properly funds the City's General Fund reserves.
- Provides more funding for deferred maintenance and capital improvement needs.
- Properly funds the City's Post Employment Medical Program.
- Continues to meet the City's obligations under Storm Water Runoff Permits.
- Appropriately funds the City's obligations under the American's with Disabilities Act
- Increases the City's Workers' Compensation Fund reserves.
- Adequately addresses the City's Public Liability Fund needs.

I have also directed adjustments to the budget to provide additional staff and resources for better brush management, public safety helicopter operations, better public emergency call response times and for new park facilities scheduled to open throughout the City in Fiscal Year 2009.

For the first time in history, the City's budget document is being provided with performance measures and information about existing workloads for each City department. This new information will assist in the decision-making and adoption process for the new budget and continues my commitment to improving transparency and accountability at the City. They will let everyone know how money is being spent at the City and what can be expected from those expenditures.

This budget yields the elimination 127.13 positions from the City's payroll saving \$10.6 million over previous budgets. This is in addition to the \$50 million in permanent savings I have already established by cutting 668 positions in previous budgets. The position cuts I have included in this budget are part of my ongoing effort to streamline the City's bureaucracy and will help reduce the layers of management that have built up at the City over many years.

Positions Cut in Fiscal Year 2007	38.00
Positions Cut in Fiscal Year 2008	629.71
Positions to be Cut in Fiscal Year 2009	127.13
TOTAL POSITION CUTS	794.84*

*Equivalent to 10.3% of all non-public safety jobs.

The cuts also come as a result of the softening regional economy. Like everyone who has been affected by the downturn in housing markets and the increasing cost of goods and supplies, the City has had to adjust its budget to accommodate these changing economic conditions. When making cuts and program adjustments for the coming year, we have looked to reducing the City's bureaucracy first, before recommending changes to public programs and services.

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I have worked successfully with the City's Executive Team to develop a balanced budget for Fiscal Year 2009 that will allow the City to provide the essential core services needed by San Diego residents. It will also help repair the City's structural deficit and will continue to streamline the City's bureaucracy by reducing layers of management.

In the past twelve months, the City has also made extraordinary progress in bringing its long-overdue financial reports up to date. Thanks to the work done by the City's new financial management team, we have been able to release Comprehensive Annual Financial Reports with unqualified external audit opinions for the 2003, 2004, 2005 and 2006 fiscal years.

The release of these reports moved the City closer to accessing the public credit markets giving us the opportunity to finance more of the long-delayed infrastructure improvements. It is anticipated that the City's Fiscal Year 2007 Comprehensive Annual Financial Report will be completed in summer 2008. We also expect, for the first time in five years, to release the next fiscal year report (2008) in advance of the traditional due date. The positive impact of these reform efforts is already evident; Fitch Ratings has revised its rating opinion of San Diego from negative to positive, another very important step toward rebuilding financial stability for the City.

This new budget illustrates just how far we have come since I took office just two and half years ago. It shows how we have changed how the City manages its finances and how we have refocused our attention to providing core services and meeting our essential financial obligations. I think you will find this description of the City's budget more accessible and more transparent than ever before.

The Fiscal Year 2009 Proposed Budget will be presented in town hall meetings scheduled for every district in the City. These meetings are part of the full and complete discussion process we must undertake before the budget can be adopted by the City Council. I am committed to sharing the budget with everyone in San Diego and look forward to the deliberation and adoption process set for the week ahead.

Sincerely,

A handwritten signature in black ink that reads "Jerry Sanders". The signature is fluid and cursive, with the first name "Jerry" and the last name "Sanders" clearly distinguishable.

Jerry Sanders
Mayor

Mayor's Budget Message

Look how far the City has come in just two and a half years:

- ✓ Streamlined city operations to save over \$50 million annually and eliminated 668 staff positions.
- ✓ Additional personnel savings of \$10.6 million coming from the elimination of 127.13 FTE positions is planned for the year ahead. The 794.84 positions eliminated to date represent 10.3 percent of all non-public safety employees.
- ✓ Accounted for hundreds of phantom positions in the City's budget.
- ✓ Created the Five-Year Financial Outlook that forced greater funding for long-ignored problems and reined in spending at the City while setting a financially sound schedule for paying off the City's debt.
- ✓ Secured a settlement with the Securities Exchange Commission after a lengthy investigation.
- ✓ Instituted tough new financial controls recommended by the independent Kroll report on City finances.
- ✓ Completed the long-delayed Comprehensive Annual Financial Reports for the 2003, 2004, 2005 and 2006 fiscal years to help restore the City's credit rating and ability to finance critical infrastructure improvements
- ✓ Dedicated over \$100 million to long-deferred maintenance and infrastructure projects – an increase of over 4,000 percent.
- ✓ Crafted a \$1.4 billion plan to repair the City's dilapidated water and sewer infrastructure.
- ✓ Implemented the City's first Recycling and Construction and Demolition Debris Ordinances, which will extend the useful life of our landfills and recycle millions more tons of material.
- ✓ Increased funding for storm water pollution prevention efforts by 85 percent.
- ✓ Installed a solar power generation facility that helped cut two million pounds of CO2 emissions from City operations.
- ✓ Increased energy efficiency at City buildings and park facilities; restricted City vehicles, which previously ran for hours, from unnecessary idling.
- ✓ Established the City's first ever Customer Service Department to inform and assist the City's customers at every level.
- ✓ Increased equipment funding for the Fire-Rescue Department by 60 percent (with more funding planned in Fiscal Year 2009) and raised pay for police officers to more competitive levels so the City can recruit and retain qualified officers.
- ✓ Secured over \$1 billion in new federal and State funds for transportation infrastructure, emergency preparedness and long-delayed environmental projects.
- ✓ Established a retiree healthcare trust fund so this \$1 billion obligation would be honestly addressed, not just passed on to future generations.
- ✓ Saved over \$1 million in the past year by reducing the number of insurance plans and insurers offered to City employees.
- ✓ Won approval for a ballot proposition requiring voter approval for any future pension benefit increases.
- ✓ Proposed a new retirement plan that lowers the City's financial risks, reduce pension costs, and eliminate excessive perks.
- ✓ Secured voter approval for Managed Competition; moving forward with 26 City functions targeted for potential efficiencies and savings.
- ✓ Re-organized the Real Estate Assets Department to monitor and make better use of surplus City property to benefit taxpayers including a plan to sell \$100 million over next five years.
- ✓ Refinanced the PETCO Park bonds, saving the City \$3.7 million annually.
- ✓ Established the City's first-ever set of Performance Measurements for inclusion in the Fiscal Year 2009 Proposed Budget.
- ✓ Appointed the City's first ever Chief Financial Officer and a new City Internal Auditor.
- ✓ Implemented a five-point safeguard plan for ratepayer funds used by the City's Water and Sewer systems.

All of this accomplished ***without*** raising taxes.